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SUBJECT: NEW CABINET TO FOCUS ON "ORDER" "INCLUSION"

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Classified By: Amb. P Michael McKinley for reasons 1.4b and d.

11. (C) Summary: President Garcia on July 11 swore in a new cabinet that replaces seven Ministers, including the important posts of Prime Minister, Defense Minister, Interior Minister and Trade Minister. Most Embassy contacts say the new Cabinet more closely aligns with the President's policy preferences and has a closer personal relationship with the President, who called on his new Ministers to focus on "order" and "inclusion". Despite these hopeful goals, criticism from opposition social sectors was immediate, calling the new Ministers a "Cabinet of confrontation". Garcia's reassertion of personal control over the Cabinet is demonstrated most clearly by the appointment of APRA loyalist Javier Velasquez Quesquen as Prime Minister. Velazquez Quesquen has vowed to honor social agreements negotiated by his predecessor, but said he will no longer travel the country to deal with protesters. Other key appointments include the Ministers of Defense, Interior, and Trade. End Summary.

New Cabinet Close to President

12. (C) President Garcia on July 11 swore in a new cabinet that replaces seven Ministers, including the important posts of Prime Minister, Defense Minister, Interior Minister and Trade Minister. Nine other Ministers kept their jobs, and one Minister shifted to a new post. The shuffle comes during a lull in social protests, and is widely viewed as a response to public demands for new Ministers in the aftermath of clashes in June between protestors and police in the northern Amazon. This is Garcia's second major Cabinet shuffle in less than a year, and he said publicly that he hoped it would be the last. Observers say Garcia has sought to avoid the image of instability caused by frequent Cabinet changes under his predecessor Alejandro Toledo, and that he has reserved this tactic for use in deflating only the most serious political crises.

13. (C) Most observers say the new Cabinet more closely aligns with the President's policy preferences and has a closer personal relationship with the President. By contrast, many viewed the previous Cabinet as beyond the control of independent Prime Minister Yehude Simon, and as marked by a lack of coordination among the different Ministries. Besides improving cohesion within the Cabinet and with the President,

Garcia has said he wants the new Cabinet to emphasize "order and social inclusion". This is a bid, say analysts, to appeal to a general concern over instability while promising renewed outreach to unhappy social sectors. Analysts also view the appointment of a Prime Minister from Garcia's APRA party as an attempt to gain broader party control over public works and patronage resources to improve APRA's chances in upcoming municipal/regional (2010) and national (2011) elections.

Already Facing Criticism

¶4. (C) Despite these hopeful goals, criticism from opposition social sectors was immediate and harsh. Many have focused on the right-wing credentials of some new Ministers and decried them as a "Cabinet of confrontation". Others have predicted the Cabinet will not last longer than six months. Social sectors have highlighted the lack of a figure with credibility on the left - like Yehude Simon - who could lead future dialogue, and have expressed significant doubts over the government's real commitment to "social inclusion". Some in the opposition also see the new Ministers as an attempt to fill government ranks with party and Garcia loyalists and co-opt opposition figures.

Prime Minister Javier Velasquez Quesquen: An Extension of Garcia

¶5. (C) Garcia's reassertion of personal control over the Cabinet is demonstrated most clearly by the appointment of APRA loyalist and Congressman Javier Velasquez Quesquen as Prime Minister. (Note: The Prime Minister in Peru's political system is an appointed chief of Cabinet and leader of government rather than an elected head of parliament. End Note.) Velasquez is not considered a major power player within the APRA, and critics have portrayed him as an extension of Garcia. However, within APRA he is considered a good political operator, and congressional contacts say he successfully collaborated with the opposition during his tenure as President of Congress (2008-9). Velasquez's appointment surprised some observers as he was recently accused of hiring scores of loyalists from his region Lambayeque to congressional jobs, and because his secretary was accused of helping her family's company win public contracts.

¶6. (C) In his inaugural speech, Velasquez pledged to fulfill the over 300 commitments made by Simon in negotiations to end a series of social conflicts before he left office. However, he emphasized that the era of "PM as firefighter-in-chief" was over (reftels), and that he would not travel the country to negotiate an end to every protest. He indicated that the government will create new conflict prevention and resolution units within each ministry. He also made clear that, although he supports dialogue, protests that affect the rights of other Peruvians - blocking roads, taking hostages, etc. - will not be tolerated. (Note: El Comercio reported that protests in June cost the country approximately US\$295 million in lost production. End note.) A national urban poll conducted by Apoyo said 20% of respondents favored Velasquez's appointment, the lowest of any new minister, while outgoing PM Simon had a 37% approval rating.

Minister of Defense Rafael Rey: Tough Conservative

¶7. (C) Garcia's appointment of former Production Minister and Ambassador to Italy Rafael Rey as Minister of Defense amplifies the impression among observers that the President wants to focus on maintaining internal order. An admirer of President Ronald Reagan and member of Opus Dei, Rey is widely seen as an unabashed arch conservative who views stability and growth rather than social policy as the key to improving Peru. Rey is also viewed as hardworking and honest, and some say his prominent leadership of the military could help boost

the demoralized ranks. The Apoyo poll said 35% of respondents favored Rey's appointment, the highest after Minister Mercedes Araoz, who was reassigned from Trade to Production.

Interior Minister Octavio Salazar: Former Police Chief

¶8. (C) President Garcia appointed as his new Interior Minister the former chief of the National Police General Octavio Salazar, who observers also say has a close relationship with Garcia. His appointment is viewed as a vast improvement over outgoing Minister Mercedes Cabanillas, whose term was marred by the clashes with protesters in the Amazon and her public denials of responsibility. In one of his first acts, Salazar announced the establishment of a new conflict resolution unit at the Interior Ministry. He is a 32 year veteran of the National Police with experience in various capacities in Lima, and as chief in the northern city Trujillo. Some controversy surrounds Salazar over his actions as police chief during a clash between police and protestors in the southern city of Moquegua in 2008 when protestors briefly took dozens of police, including a general, hostage. Prosecutors continue to investigate the incident.

Trade Minister Martin Perez: Conservative Opposition Leader

¶9. (C) Garcia's new Trade Minister Martin Perez is a pro-business figure from the conservative opposition National Unity (UN) Congressional bloc. He is generally believed to represent continuity in the government's foreign trade policies, including the PTPA with the US. Our UN contacts tell us his appointment was as much an effort by Garcia to undermine opposition unity. The leader of the UN's main party, Lourdes Flores Nano, opposed Perez's accepting the appointment to the cabinet.

Comment: Reasserting Government Authority

¶10. (C) The appointment of a new Cabinet combined with the underwhelming impact of national protests in early July will probably provide a needed lull for President Garcia to attempt to reassert his government's authority after weeks of social tension. His tough-minded ministerial appointments appeared designed to do just that. But with the President's popularity sinking, the new team's toughest challenge will be to manage and defuse inevitable future protests without simply caving to every demand made on the government.

MCKINLEY